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## **Pentagon Resists Deficit Reduction**

Rollback in Planned Budget Falls Far Short  
of Deficit Reduction Goals – Puts Fiscal Reform at Risk

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**Bottom line:** On 6 January 2010, Secretary of Defense Robert Gates offered to roll back planned budgeting for the Pentagon by as much as \$78 billion over five years (2012-2016) from the levels projected in 2010 by the Obama administration. By contrast, a broad spectrum of deficit-reduction plans (including the one by the President's Fiscal Reform Commission) have sought defense cuts for the same period in the range of \$300 billion to \$450 billion.

- Although described as a “cut,” Gates’ offer would allow defense spending to rise steadily over the next five years.
  - Although Gates suggests that the more substantial defense savings plans promoted by the Sustainable Defense Task Force and others would court “catastrophe” and calamity, they all would allow the Pentagon to spend more in real terms during the next ten years than it did during the last ten.
  - The proposals for substantial defense savings that Gates opposes would produce average Pentagon base budgets during the next ten years that are only about 5% below the high-tide Cold-War spending levels set during the Reagan administration, adjusted for inflation. But the Pentagon seeks future budgets that average more than 12% above the Cold War highs.
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### **Background**

In February 2010, President Obama convened the bipartisan National Commission on Fiscal Responsibility and Reform, tasking it to develop a consensus plan to curb or eliminate federal deficits. This was to be a first step in a process of reducing America’s burgeoning national debt. In the course of 2010, the Commission and several non-governmental task forces developed a broad range of proposals encompassing all aspects of federal revenue and expenditure, including the defense budget.<sup>1</sup>

Among the principal deficit reduction efforts there emerged a broad “consensus”<sup>2</sup> that the non-war portion of total planned defense spending during the 10-year period 2011-2020 might be reasonably lowered by between \$600 billion and \$1 trillion, which would be a cut of between 15% and 18% from the levels planned by the administration in early 2010. Implicit in this emerging consensus was the view that America’s economic troubles were themselves a critical

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national security issue and that the nation would benefit, on balance, from a trade-off between near-term military spending and long-term economic strength.

### **The Pentagon's "generous offer"**

Responding to fiscal concerns, Defense Secretary Gates offered on 6 January that DoD and the services would work with budgets \$78 billion lower than had been previously projected by the Obama administration for 2012-2016.<sup>3</sup> This represents a 2.6% rollback from the budget levels projected in the President's FY 2011 request (released in early 2010). In effect, Gates has offered to contribute \$78 billion toward deficit reduction goals for the 2012-2016 period. By contrast, the various budget reduction plans have been seeking defense savings for this period in the \$300 billion to \$450 billion range. Put simply: the Pentagon has offered to meet the fiscal reformers less than one-quarter of the way to their goal.

The difference between what the Pentagon has offered and what fiscal reformers seek is profound. And Gates has made clear that he will spare no hyperbole in opposing larger cuts. He contends that even a 10% cut would have a "catastrophic" effect on the armed services, compelling reductions in force structure.<sup>4</sup> Admiral Mullen, the Chairman of the Joint Chiefs, also worries that such "massive" cuts would require a smaller force structure and that this would be dangerous.<sup>5</sup> Of course, the defense proposals associated with the leading deficit-reduction plans seek cuts that are greater than 10% of the base budget, and these Gates sees as risking "calamity" for the nation.<sup>6</sup>

Secretary Gates' intent seems quite serious. He has gone out on limb in vocally opposing further budget restraint. Indeed, he stands alone among Cabinet secretaries and agency leaders in resisting substantial deficit reduction measures for the department he oversees.

Both Gates and Admiral Mullen had previously echoed the idea that federal debt constitutes a serious national security concern.<sup>7</sup> However, their worry seems focused narrowly on how the debt and interest payments on it would constrain military spending. Mullen has observed that, due to growing federal debt service, the pressure on the defense budget is "going to get worse before it gets better."<sup>8</sup> But he hopes the Pentagon "can lead this, as opposed to get to a point where there are massive cuts" – presumably meaning any sum remotely comparable to those being proposed by outside advocates of defense savings. For Gates, a utilitarian logic both motivates and limits his budget measures: "As a matter of principle and political reality, the Department of Defense cannot expect America's elected representatives to approve budget increases each year unless we are doing a good job...to make every dollar count."<sup>9</sup> Of course, Gates' goal of continuous annual budget increases is strictly at odds with all the deficit-reduction plans, so his initiative is something of a preemptive strike or "spoiling attack."

In the Pentagon view, there is no real contradiction in preserving exceptional levels of military expenditure while expecting other accounts to carry the main burden of deficit reduction. Some commentators have suggested that this is precisely the type of trade off that America must make.<sup>10</sup> But privileging defense in this way puts at risk the entire fiscal reform effort and with it the nation's economic health. It not only undermines the general call for fiscal responsibility, but also makes reform much harder as a practical economic and political matter. This is partly because the defense account is so large: It presently constitutes over 55 percent of discretionary spending and 23 percent of the federal budget (discounting interest payments).

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## How much is the Pentagon offering to cut from what?

There have been various estimates of the cuts sought by Gates -- \$100 billion, \$154 billion, \$78 billion. Which of these figures is correct?

In June 2010, as the development of both official and non-governmental deficit reduction proposals got seriously underway, Defense Secretary Gates announced a Pentagon initiative to find \$100 billion in efficiency and other savings. However, Gates qualified the announcement, saying that, "Unlike budget cutting efforts of the past, the services will be able to keep the savings they generate to reinvest in higher priority warfighting needs and modernization programs."<sup>11</sup> As he explained it:

I believe that sustaining the current force structure and making needed investments in modernization will require annual real growth of 2 to 3 percent, which is 1 to 2 percent above current top-line budget projections... [The] spending difference will need to be made up elsewhere in the department.

Therefore, the effort would not free funds for deficit-reduction or any other purpose outside the Pentagon sphere.

In effect, the "savings" initiative announced by Gates last year would serve only to fit Pentagon planning into the President's future-years budget as outlined in his FY 2011 budget submission. However, the Commission on Fiscal Reform and similar non-governmental efforts have defined their deficit-reduction goals as subtractions from the President's budget. So, at best, last year's \$100 billion Pentagon offer was a pledge not to press for an even bigger budget than the one already disconcerting budget hawks.

### Gates' January 2011 Offer

- On 6 January 2011, Gates affirmed that the services had identified ways to reduce their budget aspirations by \$100 billion, as promised the previous year. Essentially, the services had trimmed some accounts in order to fully fund other programs while staying inside the President's FY 2011 future years defense plan.
- In addition, Gates reported on 6 January that the initiatives begun last year also had led to new efficiencies in defense-wide accounts and to cuts in personnel expenditures that would allow the Pentagon to contribute \$54 billion toward deficit-reduction during the next five years (2012-2016).
- Finally, he announced that further measures were underway that would free another \$24 billion for deficit-reduction during 2012-2016: changes in economic assumptions would yield \$14 billion, another \$4 billion would come from "re-pricing and a more realistic production schedule" for the F-35 fighter, and \$6 billion would be saved by reducing the size of Army and Marine Corps by approximately 45,000 troops beginning in FY 2015.

All told, the January 2011 proposal would see \$100 billion reprogrammed inside the service's accounts and \$78 billion subtracted from the Administration's future-years budget plan. (The provisions of Gates 6 January 2011 plan are summarized in *Table 2* at the end of this memo).

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A caveat is due, however: The \$14 billion portion of the pledged contribution that is supposed to come from altered inflation projections is "soft" or contingent. If inflation turns out to be greater than now expected, those savings evaporate. The savings that derive from re-pricing the F-35 also may go "soft," if aircraft unit prices continue to rise as in the past.

The surest budget cuts are those associated with a reduction in units, assets, or people. As it stands, the big inputs to DoD's proposed contribution to deficit reduction are DoD civilians – who will suffer a pay freeze -- defense-wide accounts, and lower-than-expected inflation. So far, Gates has not asked the services to shed much capability over the next five years. Certainly, he's shown no inclination to significantly reduce structure or to re-think how, why, and where we use military power.

### **When is a cut not a cut?**

There are two sources of confusion regarding Gates' offer and discussions of Pentagon budget cuts generally.

- First, the reference point or target of the "reductions" being discussed by deficit-reduction groups is *future plans, not current budgets*. So it is quite possible in some "reduction" plans for spending to actually rise from its current level. Indeed, as pointed out below, all the deficit-reduction proposals will provide the Pentagon with more inflation-adjusted dollars in the next decade than it had in the last. What distinguishes the Pentagon's approach is that it is seeking *much* more – and it involves an immediate budget *increase* from 2011 to 2012.
- Second, quite apart from the President's budget and DoD's official budget submissions, the services maintain what might be called "aspirational budgets," which are their claims of what they need to better or more easily perform their assigned missions. Seldom are all Pentagon requests fully validated and funded by civilian authorities. When military and defense officials talk about "reductions," their reference point is sometimes their own aspirations – their "wish lists" – and not the budgets previously allotted or even planned by higher civilian authorities. Tallies of "unfunded requirements" or "unfunded priorities" serve as persistent and politically potent claims on more federal dollars.

It is appropriate and important for military leaders to call attention to perceived shortfalls in budgeting for assigned missions, of course. On the other hand, there also is nothing surprising in a bureaucracy demanding more resources to do its assigned job. The reality is that no mission assignment is so specific as to entail a determinate set of assets or amount of funds. There is ample room for alternative approaches and assessments. Certainly, and especially now, the nation would benefit from a much closer look at Pentagon budget justifications and assigned missions, their cost and value.

Whether or not the Pentagon needs more money, any fruitful discussion of budget plans depends on clarity about the baseline at issue – the reference point. Is it last year's budget? Last year's plan for the future? Or the service's own vision of what they need? Obfuscating this serves no useful purpose.

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The \$100 billion “reduction” first announced by Secretary Gates last year was actually a retraction in the services’ claim for budget *increases*. It involved moving funds from one account to another inside the Pentagon system. By contrast, the \$78 billion “reduction” announced by Gates on 6 January represents a rollback in the planned future-years budget actually enunciated by the Administration last year and submitted to Congress. The latter, if implemented, counts toward deficit reduction, while the former does not. But neither will result in an actual dollar reduction in the Pentagon budget, if we take the President’s FY 2011 budget request as the baseline.

### **Under the Gates plan, will spending decline from current levels? No.**

- For 2010, the Pentagon base budget request was \$531 billion. The 2011 base budget request is \$549 billion. Taking into account the Gates plan, the request for 2012 will be approximately \$553 billion. This clearly is an increase – although not one that keeps pace with inflation.
- Only when compared with the projection for 2012 that appeared in the Administration’s budget submission last year does Secretary Gates proposal register as a reduction. In the FY 2011 budget submission, the administration had foreseen spending \$566 billion on the base budget in 2012. Thus, Secretary Gates’ offer implies a \$13 billion rollback from last year’s plan for 2012. It is a retraction in planned budget levels.
- The plan for 2012-2016 set out in last year’s budget submission foresaw spending \$3 trillion on the Pentagon’s base budget. Gates’ offer, if fully realized, would remove \$78 billion from this plan – a 2.6% roll back.

### **How does Gates’ offer compare to other budget reduction goals?**

- The caps suggested by the President’s fiscal commission, if applied proportionately to defense, would yield base budget spending during 2012-2016 of approximately \$2.66 trillion – an 11% rollback from the budgets foreseen in last year’s budget submission.<sup>12</sup>
- The savings plan put forward by the Sustainable Defense Task Force would provide approximately \$2.56 trillion for the same period – a 14.4% rollback in planned budgets

### **Is the sky falling? The real implication of defense savings plans**

As noted above, Secretary Gates has said that seeking savings like those proposed in various deficit-reduction plans might have a “catastrophic” effect on the armed services, risking “calamity” for the nation. However, looking over the next ten years, none of the deficit-reduction proposals would lower the Pentagon’s base budget more than five or six percent below the high-tide of Cold War spending set during the Reagan administration.

Table 1 reviews and compares DoD “base budget” expenditures, past and planned, for the period 1981-2020 (in inflation-adjusted 2010 dollars). A real and significant “cut” or reduction

in defense expenditure is apparent when comparing the last decade of the Cold War (1981-1990) with the one that followed (1991-2000). By contrast, all of the plans for defense in 2011-2020 constitute unmistakable increases over the period 2001-2010.

<b>Table 1. Change in Defense Spending by Decade, Historical &amp; Planned</b> DoD "base" or "non-war" Budget Authorization			
Period	Cumulative Defense Authorization (trillions 2010 USD)	Inflation-adjusted % change from previous decade	As % of Cold War High-tide spending
Historical			
1981-1990 (Cold War High)	5.06	--	100%
1991-2000 (post-Cold War)	3.94	-22%	78%
2001-2010 (post-9/11)	4.62	17%	91%
Alternatives for 2011-2020			
2011-2020 (FY 2011 Budget)	5.76	25%	114%
2011-2020 (Fiscal Commission)	4.76	3%	94%
2011-2020 (SDTF)	4.86	5%	96%
Sources: See footnote #13.			

- If left untouched by deficit reduction, the President's FY 2011 budget plan would spend nearly 25% more in real terms on DoD during the next decade than was spent during the last decade – not counting war expenditures.
- If applied directly to defense spending, the provisions of the Fiscal Commissions final report would significantly clip the administration's ambitions for DoD. Nonetheless, the result would still constitutes a 3% inflation-adjusted boost for DoD next decade over the one just ended.
- The proposal by the Sustainable Defense Task Force would curtail the Pentagon's ambitions somewhat less – allowing a 5% real increase, decade to decade.
- Both proposals would bring spending on the Pentagon's base (or non-war) budget during the next decade down to an average comparable to spending in FY 2007 (inflation adjusted).

The roll backs proposed by the Sustainable Defense Task Force, the President's Commission, and others loom large only when measured against the 10-year *increase* in defense spending proposed by the Obama administration last year, which would boost average non-war spending to \$575 billion (20110 USD).

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A fuller sense of what the proposals entail can be gained by weighing their ten-year spending plan against a common standard: spending during 1981-1990 – the last decade of the Cold War, the “Reagan years.” The President’s 2011 future-years budgeting request sees DoD spending 14% more in inflation-adjusted dollars during the next decade on its base budget than it did during the Reagan years, when the United States was in a global dead heat with the Soviet empire. By contrast, the Fiscal Commission proposal implies that the United States would spend 6% less than during the Reagan years. And the SDTF proposal sees the United States spending about 3% less.

What Secretary Gates and Chairman Mullen contend is that the Pentagon must boost its budget to levels significantly higher than Cold War peaks – despite the absence of a peer global competitor. The prospect of holding DoD down to levels slightly below these peaks is what they say courts disaster.

### **Can America defend itself for less than one-half trillion dollars per year?**

To put Secretary Gates’ claim and offer in a broader context, the United States and its close allies today account for nearly 75% of all military spending worldwide, while the cohort of actual and potential nation-state adversaries account for less than 15%. The defense economies suggested by the Fiscal Commission, SDTF, and others would bring the US and allied share down to about 72% – still close to a five-to-one edge and far better than the ratio prevailing in the 1980s, which was close to fifty-fifty. An important, additional factor is the challenge posed by low-cost insurgencies, which do not register in tallies of world military spending. However, the insurgencies of the Cold War period were larger, more numerous, and better heeled than those we have chosen to fight today.

By raising the specter of potential catastrophe or calamity, Secretary Gates may prompt an emotive public response, given the long shadow cast by the September 2001 attacks. This, regardless of the fact that all the principal proposals for significant defense savings leave virtually untouched the spending for wars and counter-terrorism operations. A more measured response would be to question Pentagon leadership that says it cannot deliver basic security despite an annual base budget exceeding one-half trillion dollars and an allies-to-adversaries spending advantage of more than four-to-one.

Since 1998, the Pentagon’s base budget has risen by 54% in real terms – a surge unprecedented in more than 50 years. Add to this sum the spending for war since 2001 and the real increase comes close to 100%, which is a boon nearly as great as the Kennedy, Johnson, and Reagan spending surges combined. Should our basic posture nonetheless be as fragile as Secretary Gates implies, then perhaps more money is not the remedy – and certainly not if it helps put our fundamental economic strength at long-term risk.

### **Weighing requirements: Defense spending *versus* national strength**

The debate over the Pentagon’s contribution to deficit-reduction is about finding an appropriate and sustainable balance between near-term defense expenditure and the requirements of long-term economic strength. The Pentagon leadership and fiscal reformers differently weigh both

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sides of this equation. Regarding the longer-term economic challenge, they differ over both the scale and nature of the problem. Of course, liberal and conservative reformers differ among themselves regarding the problem's nature and solution.<sup>14</sup> However, reformers across the spectrum tend to agree that our economic quandary puts at risk the fundamentals of national strength. And they concur that the national security implications of this go beyond America's future capacity to provision its military. The reformers understand that the United States is engaged in a necessary process of adjusting or rebalancing national strategy. And there is more at issue in this than preserving the goose that lays the silver bullets – just as there is more to power than armed forces.

Regarding the other side of the equation – near-term defense spending – reformers and the Pentagon leadership differ as to the cause and necessity of the sharp rise in the Pentagon base budget since the late-1990s. And they differ regarding the security justification for additional increases now. A number of analysts (the present authors included) argue that it is not security requirements, *per se*, that have driven the base budget up by more than 50 percent in real terms since 1998, but other factors.<sup>15</sup> These factors include an over-wrought military strategy weak on setting priorities, an unbounded set of military missions and commitments, dysfunctional weapon acquisition and financial management systems, and an abiding failure to adequately streamline infrastructure and support. Bureaucratic and political dynamics also play a role in driving the Pentagon's budget upward.<sup>16</sup>

### **Math not strategy? Or failed strategy?**

Secretary Gates has dismissed recent deficit-reduction proposals for defense as constituting math, not strategy – but the charge is inaccurate.<sup>17</sup> Several of the leading defense savings proposals clearly rest on and articulate alternative strategic precepts.<sup>18</sup> While it is true that the Fiscal Commission's report does not itself suggest a new defense strategy, its proposals regarding defense mostly involve efficiency measures, which are ways for the Pentagon to enact *current strategy* at lower cost.

It may well be that current strategy cannot deliver reasonable levels of security at reasonable cost. Perhaps the effort to provision our current strategy is hopelessly at odds with efforts to preserve the fundamentals of national strength. Secretary Gates probably did not intend his comments about strategy to prompt a reassessment of our present one. But this may be what our current circumstance demands. As a group of 46 national security experts concluded in a November 2010 letter to the President's fiscal commission: "We can achieve safe savings in defense if we are willing to rethink how we produce military power and how, why, and where we put it to use."<sup>19</sup>



**Table 2. Secretary Gates' January 2011 Reprogramming & Deficit Reduction Proposal**

**\$100 Billion Shift in Service Planning**

Services trim budgets by \$100 billion	Services plan \$100 billion in new expenditures
<p><i>Streamlining &amp; other efficiency measures</i></p> <ul style="list-style-type: none"> <li>• AF consolidates 2 operations centers in US and 2 in Europe</li> <li>• AF consolidates 3 numbered Air Force staffs</li> <li>• Air Mobility Command saves \$500 mil. via energy efficiency</li> <li>• AF improves depot and supply chain business systems</li> <li>• AF cuts cost of communications infrastructure by 25%</li> <li>• Army cuts 1,000 civilian and military personnel positions</li> <li>• Army saves \$1.4 bil. in construction costs by keeping older facilities</li> <li>• Army saves \$500 mil. by consolidating email systems &amp; data centers</li> <li>• Navy reduces shore personnel and reassigns 6,000 to sea</li> <li>• Navy saves \$1.3+ billion via multi-year procurement of aircraft</li> <li>• Navy cuts staff for subs, patrol aircraft, destroyers, and one carrier strike group</li> <li>• Navy disestablishes HQ of Second Fleet in Norfolk</li> </ul> <p><i>Modernization cuts</i></p> <ul style="list-style-type: none"> <li>• Army cancels SLAM-RAAM surface-to-air missile</li> <li>• Army terminates Non-Line of Sight Launch System</li> <li>• Marines delay and reassess their variant of F-35 Joint Strike Fighter</li> <li>• Marines cancel Expeditionary Fighting Vehicle</li> </ul>	<p><i>Spend \$28 billion on higher operating costs</i></p> <p><i>Spend \$70+ billion :</i></p> <ul style="list-style-type: none"> <li>• AF buys more Reaper UAVs</li> <li>• Move Intelligence, Surveillance and Reconnaissance programs in war budget to base budget</li> <li>• Increase buy of Evolved Expendable Launch Vehicle</li> <li>• Modernize radars on F-15s</li> <li>• Buy more simulators for F-35 crew training</li> <li>• Start new long-range nuclear-capable bomber program</li> <li>• Improve suicide prevention and substance abuse counseling</li> <li>• Modernize Abrams tanks, Bradley Fighting Vehicles, and Stryker wheeled vehicles</li> <li>• Accelerate fielding of new Army communications network</li> <li>• Buy more Army MC-12 reconnaissance aircraft</li> <li>• Accelerate procurement of Army Grey Eagle UAVs</li> <li>• Develop new Army vertical unmanned air system</li> <li>• Accelerate development of new Navy electronic jammers</li> <li>• Increase repair and refurbishment of Marine equipment</li> <li>• Develop new sea-borne unmanned aircraft</li> <li>• Buy more F-18s and extend their service life</li> <li>• Purchase additional Navy ships</li> <li>• More funds for long-range and theater missile defense effort</li> </ul>

**Sources of Proposed \$78 Billion Reduction in Budget Plan**

<p><b>\$54 billion in DoD-wide overhead reductions and efficiencies</b></p> <ul style="list-style-type: none"> <li>• Two-year freeze on civilian salaries</li> <li>• Near-total freeze on number of civilian positions for three years</li> <li>• Trim civilian workforce: save \$ 4 billion</li> <li>• Consolidate &amp; improve data centers: save \$1 billion</li> <li>• Cut staff support by contractors 10% yearly for 3 years, shift or eliminate positions: save \$6 billion</li> <li>• Reduce combatant commander intelligence organizations; surge capabilities as needed</li> <li>• Consolidate redundant counter-terrorism intelligence programs</li> <li>• Eliminate more than 100 general officer and flag officer positions</li> <li>• Eliminate or downgrade about 200 civilian executive positions</li> </ul>	<ul style="list-style-type: none"> <li>• Close the Office of the Asst. Sec. Def. for Network Intelligence &amp; Information, the Business Transformation Agency, and Joint Forces Command</li> <li>• Downgrade and streamline component HQs for Army, Navy and Air Force in Europe</li> <li>• Reduce DoD's internal reporting burden: save \$1.2 billion</li> </ul> <p><b>\$24 billion in additional savings</b></p> <ul style="list-style-type: none"> <li>• Change in economic assumptions, decreased inflation rate, smaller pay raises: save \$14 billion</li> <li>• Slow procurement of F-35 and re-price it: save \$4 billion</li> <li>• Cut Active Army by 27,000 and Marine Corps by 15,000-20,000 starting FY 2015: save \$6 billion</li> </ul>
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Source: Robert M. Gates, Statement on Department Budget and Efficiencies, The Pentagon, 6 January 2011.

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## NOTES

### 1. Defense savings proposals:

- Gordon Adams and Matthew Leatherman, "A Leaner and Meaner Defense: How to Cut the Pentagon's Budget While Improving Its Performance," *Foreign Affairs* (Jan/Feb 2011).
- Erskine Bowles and Sen. Alan Simpson, *The Moment of Truth: Report of the National Commission On Fiscal Responsibility And Reform* (Washington DC: White House, December 2010);
- Andy Stern, *A 21st Century Plan for America's Leadership* (Washington DC: Georgetown Public Policy Institute, December 2010);
- Jeff Madrick, *et al*, *Report and Recommendations of the Citizens' Commission On Jobs, Deficits and America's Economic Future* (Washington DC: Institute for America's Future, 30 November 2010);
- Becky Thiess, Andrew Fieldhouse, *et al*, *Investing in America's Economy: A Budget Blueprint for Economic Recovery And Fiscal Responsibility* (Washington DC: Our Fiscal Security, 29 Nov. 2010);
- Dr. Gordon Adams, Matthew Leatherman, and Hans-Inge Lango, *Choosing Defense Mission Priorities* (Washington DC: Stimson Center, 17 November 2010);
- Rep. Jan Schakowsky (D-IL), *Schakowsky Deficit Reduction Plan: Fiscal Responsibility That Protects the Lower and Middle Class* (Washington DC: Office of Rep. Jan Schakowsky, 16 November 2010);
- Senator Pete V. Domenici and Dr. Alice M. Rivlin, *Restoring America's Future* (Washington DC: Bipartisan Policy Center, Debt Reduction Task Force, November 2010);
- Nicole Tichon and Andrew Moylan, *Toward Common Ground: Bridging the Political Divide to Reduce Spending* (Washington DC: National Taxpayers Union and US Public Interest Research Group, October 2010);
- David M. Walker, *Fiscal Solutions Tour* (Washington DC: Peter G. Peterson Foundation, 28 September 2010);
- Lawrence J. Korb and Laura Conley, *Strong and Sustainable: How to Reduce Military Spending While Keeping Our Nation Safe* (Washington DC: Center for American Progress, 23 September 2010);
- Benjamin H. Friedman and Christopher Preble, *Budgetary Savings from Military Restraint*, Policy Analysis no. 667 (Washington DC: Cato Institute, 21 September 2010);
- Maya MacGuineas, President, Committee for a Responsible Federal Budget, Testimony Before the National Commission on Fiscal Responsibility and Reform, 29 July 2010;
- *Debt, Deficits, and Defense: a Way Forward* (Washington DC: Sustainable Defense Task Force, 11 June 2010); and,
- Senator Tom Coburn (R-OK), "America's Fiscal Defense Crisis," *Defense Industry Daily*, 27 May 2010.

2. The consensus on substantial defense reductions is anchored on the right by former Senator Pete Domenici, Pete Peterson, Rep. Ron Paul, and deficit commission member Senator Tom Coburn; on the left by Rep Barney Frank, the Congressional Progressive Caucus, and deficit commissioners Andy Stern and Rep. Jan Schakowsky; and in the center by former US Inspector General David Walker and deficit commissioners Alice Rivlin and Senator Kent Conrad (who chairs the Senate Budget Committee).

Although the final report of the President's Commission did not gain the "super-majority" support that the President had sought, 11 members affirmed it, including its provisions to substantially reduce security spending. Two other members – Rep. Jan Schakowsky and Andy Stern – offered alternative plans incorporating the recommendations of the Sustainable Defense Task Force (SDTF).

Aside from the SDTF (membership below), other non-governmental organizations proposing average annual defense reductions in the \$70 billion to \$100 billion range include the Bipartisan Policy Center,

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Committee for a Responsible Federal Budget, Institute for America's Future, National Taxpayers Union, Peter G. Peterson Foundation, the Stimson Center, and the US Public Interest Research Group.

Among commentators supporting substantial cuts have been Michael O'Hanlon (Brookings Institution), David Stockman (former Reagan administration director of the Office of Management and the Budget), Loren Thompson (Lexington Institute), conservative columnist Cal Thomas, and the editor of *The Nation* magazine, Katrina vanden Heuvel. The report of the Sustainable Defense Task Force specifically has received editorial support from the *American Conservative* magazine, the *New York Times*, *Christian Science Monitor*, *Boston Globe*, *Philadelphia Inquirer*, and *USA Today* – as well as an array of smaller media.

On the eve of the 2010 election, more than 50 US congress people conveyed to the President's Fiscal Commission a letter urging substantial reductions in defense as key part of any deficit-reduction package. On 18 November, 48 national security experts submitted to President's fiscal commission a letter arguing that the defense budget might safely bear significant reductions given a willingness to rethink " how we produce military power and how, why, and where we put it to use." On 15 November, a separate group of eight defense reformers submitted a letter similarly calling for significant budget restraint.

Membership of the Sustainable Defense Task Force includes Carl Conetta and Charles Knight (Project on Defense Alternatives), Christopher Preble and Benjamin Friedman (Cato Institute), William Hartung (New America Foundation), Christopher Hellman (National Priorities Project), Heather Hurlburt (National Security Network), Lawrence Korb (Center for American Progress), Paul Kawika Martin (Peace Action), Laicie Olson (Center for Arms Control and Non-Proliferation), Miriam Pemberton (Institute for Policy Studies), Laura Peterson (Taxpayers for Common Sense), Prasannan Parthasarathi (25% Solution), and Winslow Wheeler (Center for Defense Information).

Commentary and public letters supportive of substantial cuts:

- Michael O'Hanlon, "Why defense cuts can help America," *USA Today*, 18 January 2011;
- Nathan Diebenow, "America has `reached the point of no return,' Reagan budget director warns," *Raw Story*, 10 January 2011;
- Loren B. Thompson, *Defense Must Fall, But Weapons Cuts Will Have Consequences* (Washington DC, Lexington Institute, 19 November 2010);
- *Experts Letter on Defense Spending to the National Commission on Fiscal Responsibility and Reform*, 18 November 2010. Available on the web sites of the Project on Defense Alternatives and the Coalition for a Realistic Foreign Policy;
- Winslow T. Wheeler, *et al*, *New Letter to the Deficit Commission on the US Defense Budget*, 15 November 2010. Available on the web site of The Independent Institute.
- Rep. Barney Frank, Rep. Ron Paul, *et al*, *Letter to the National Commission on Fiscal Responsibility and Reform*, 13 October 2010. Available on the web sites of Rep. Frank and Rep. Paul;
- "Mr. Gates makes a start," editorial, *New York Times*, 14 August 2010;
- "Military can take cuts," editorial, *Philadelphia Inquirer*, 11 August 2010;
- Cal Thomas, "Cutting Defense Spending Could Be Bipartisan Objective," *Tribune Media*, 13 August 2010;
- Katrina vanden Heuvel, "Time to get tough on defense spending," *Washington Post*, 22 June 2010; and,
- Joshua Green, "Military money pit," *Boston Globe*, 17 June 2010.

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3. Secretary of Defense Robert M. Gates, Statement on Department Budget and Efficiencies, The Pentagon, 6 January 2011.

4. Secretary of Defense Robert M. Gates, Remarks at the Wall Street Journal CEO Council 2010 Meeting, Washington DC, 17 November 2010.

5. Admiral Mike Mullen, Remarks at the Christian Science Monitor Breakfast, *States News Service*, 29 September 2010.

6. Gates, 6 January 2011.

7. Admiral Michael Mullen, Chairman of the Joint Chiefs of Staff, Remarks at the Hill Newspaper's "Tribute to the Troops" Breakfast, Washington Court Hotel, Washington DC, 29 September 2010; Secretary of Defense Robert M. Gates, Remarks on Defense Spending delivered at the Eisenhower Library, Abilene, KS, 8 May 2010; and, Secretary of Defense Robert M. Gates, Remarks Delivered at the Navy League Sea-Air-Space Exposition, National Harbor, Maryland, Monday, 3 May 2010

8. Admiral Mike Mullen, Remarks at the Christian Science Monitor Breakfast, *States News Service*, 29 September 2010

9. Secretary of Defense Robert M. Gates, Statement on Department Efficiencies Initiative, The Pentagon, 9 August 2010.

10. Max Boot, "Obama Care and American Power," *Wall Street Journal*, 25 March 2010.

11. Gates, 9 August 2010.

12. The Commission report proposes "caps" on overall discretionary spending. It aims to hold spending in 2012 equal to or lower than spending in 2011 and then return spending to pre-crisis 2008 levels in real terms in 2013. After 2013, it limits future spending growth to half the projected inflation rate through 2020. Should budgets exceed these levels, they will be reduced by whatever percentage necessary, and the reduction percentage will apply equally to two "baskets" of programs: security and non-security. In the course of reducing discretionary spending to fit under the caps, Congress can move money around within each basket, but not between them – therefore, the baskets would suffer equal percentage cuts, but programs within each basket may suffer differently.

The security basket includes the National Defense budget as well as spending for International Affairs, Homeland Security, and Veteran Affairs. The Fiscal Commission's proposal does not actually guarantee any set level of reduction for the Defense Department, although the report does advance an illustrative example of \$100 billion in defense savings in 2015, which is proportionate for that year. For the purposes of the present analysis, we have assumed that the planned reduction in "Security Spending" would be allocated proportionately to each of the sub-components of the security category.

13. Budget estimates are drawn from several sources: *The Moment of Truth, Final Report of the National Commission on Fiscal Responsibility and Reform* (Washington DC: White House, December 2010), "Figure 5: Discretionary Path Under Commission Proposal," p. 17; DoD Comptroller, *National Defense Budget Estimates for FY 2011* (Washington DC: Department of Defense, 2010); DoD Comptroller, *DoD Fiscal Year 2011 Budget Request Overview* (Washington DC: Department of Defense, 2010); and, Office of Management and the Budget, *Analytical Perspectives, Budget of the US Government, FY 2011* (Washington DC: The White House, February 2010), "Table 32-1. Budget Authority and Outlays by Function, Category, and Program." Estimates of future inflation are drawn from the "Economic Assumptions" section of OMB, *Mid-Session Review, Budget of the US Government, FY 2011* (Washington DC: The White House, February 2010), pp. 7-11.

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14. While conservative deficit hawks focus principally on the potential risks associated with high debt levels and seek balanced budgets, liberal reformers are willing to accept a moderate level of long-term debt that routinely grows at a rate less than the growth rate of the GDP. Liberals are also supportive of increased debt during recessions in order to boost aggregate demand and relieve social distress. Liberals see economic growth as a key to resolving America's current economic troubles and see government investment as important to ensuring that growth. In this light, one challenge posed by present debt levels is the growth in interest payments, which curtail the federal government's effective capacity to invest in those things that serve growth (or other desirable ends). To achieve these ends while also reducing deficits requires a change in spending priorities – a goal that Liberals emphasize. By contrast, conservatives tend to de-emphasize or reject the role of government investment as a motor of growth. They see tight fiscal constraints as directly associated with economic stability and the health of the private sector.

15. Sources on cause of increased defense spending:

- Cindy Williams, Principal Research Scientist, Security Studies Program, Massachusetts Institute of Technology, Testimony on "The US Defense Budget" before the Committee on the Budget, US Senate, 23 February 2010;
- Gordon Adams, Stimson Center, "The FY 2011 U.S. Defense Budget and the Quadrennial Defense Review," Testimony before the US Senate Committee on the Budget, 23 February 2010;
- Lawrence J. Korb, Sean Duggan, and Laura Conley, *Quadrennial Defense Review Fails to Match Resources to Priorities* (Washington DC: Center for American Progress, 4 February 2010);
- Moshe Schwartz, *Defense Acquisitions: How DOD Acquires Weapon Systems and Recent Efforts to Reform the Process* (Washington DC: Congressional Research Service, 23 April 2010);
- Carl Conetta, *An Undisciplined Defense: Understanding the \$2 Trillion Surge in US Defense Spending*, PDA Briefing Report #20 (Cambridge MA: Commonwealth Institute, 18 January 2010);
- Carl Conetta, "The Dynamics of Defense Budget Growth, 1998-2011," in Richmond Lloyd, ed., *Economics and Security: Resourcing National Priorities* (Newport RI: Naval War College Press, 2010);
- Gene L. Dodaro, Acting Comptroller General of the United States, "Maximizing DOD's Untapped Potential to Improve Business Performance," Presentation at the DOD Performance Breakthrough Convention, Lansdowne VA, 14 October 2009;
- Winslow Wheeler, "Understand, Then Contain America's Out of Control Defense Budget," in Wheeler, ed., *America's Defense Meltdown: Pentagon Reform for President Obama and the New Congress* (Stanford: Stanford University Press, 2009);
- Richard K. Betts, "A Disciplined Defense: How to Regain Strategic Solvency," *Foreign Affairs* (November/December 2007);
- Steven M. Kosiak, *QDR Does Little to Improve Affordability Of Long-term Defense Plans* (Washington DC: Center for Strategic and Budgetary Assessments, 3 February 2006);
- William Nordhaus, Yale University, "The Problem of Excessive Military Spending in the United States," Presentation at the Annual Meetings of The American Economic Association, Boston, Massachusetts, 8 January 2005;
- Franklin C. Spinney, Staff Analyst, Department of Defense, Testimony on "Government Reform" before the Subcommittee on National Security, Veterans Affairs and International Relations Committee, US House of Representatives, 4 June 2002; and
- Cindy Williams, "Holding the Line on Infrastructure Spending," in Williams, ed., *Holding the Line: US Defense Alternatives for the 21st Century* (Cambridge MA: MIT Press, 2001).

16. Betts, *Foreign Affairs*, Nov/Dec 2007; Nordhaus, 2005; Also see: Richard H. Kohn, "The Erosion of Civilian Control of the Military in The United States Today," *Naval War College Review* (Summer 2002) and,

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Richard Kaufman, "The Military Budget Under Bush: Early Warning Signs," *Foreign Policy In Focus*, 1 January 2001.

17. Gates, 17 November 2010.

18. Outstanding in this regard is the report of Sustainable Defense Task Force (SDTF), the contribution of the Cato Institute, and the report by Stimson Center scholars Gordon Adams and Matthew Leatherman – all of which seek to set a new strategic course. The SDTF report served as an input to the President's Fiscal Commission and also served as the basis for the proposals by Commissioners Andy Stern, Rep. Jan Schakowsky (also a commissioner), the Citizen's Commission group, and the "Our Fiscal Security Group." The report by the Stimson Center scholars formed the basis for the Domenici-Rivlin proposal.

As noted, the President's Commission took an approach that emphasized efficiency measures, rather than new strategic precepts. More systematic programs of reform, especially addressing financial management questions, were offered by Senator Tom Coburn and the group of eight defense reformers who submitted a proposal to the Fiscal Commission on 15 November 2010.

See footnote #1 and #2 for full references: Sustainable Defense Task Force, 2010; Adams, *et al*, November 2010; Senator Coburn, May 2010; Friedman and Preble, September 2010; and Wheeler, *et al*, November 2010.

The Cato approach is based on a strategy of restraint and off-shore balancing, which would strictly limit long-term US military presence abroad. The Sustainable Defense Task Force also seeks to limit long-term presence abroad, focusing US foreign deployments on key deterrence and warfighting tasks. Rather than sizing the US military for comprehensive and continuous global presence, both Cato and the SDTF would put greater emphasis on war-time surge requirements as a guide to force sizing.

Overall, the SDTF approach returns emphasis to the traditional goals of defense and deterrence, while eschewing "preventative war," large-scale protracted counter-insurgency operations, and military "environment shaping" efforts – all of which have been central to recent US defense strategies. SDTF sees hedging against the possibility of a future peer competitor by enhancing US capacities for rapid force buildup. The SDTF would retain a near-term emphasis on counter-terrorism and counter-proliferation capabilities.

The proposal by Stimson Center scholars is similar to the SDTF proposal in many respects:

It would give top priority to missions that are probable, consequential, achievable, and appropriate for the military. Dismantling the al Qaeda network is foremost among these, as is adapting the military to the needs of cybersecurity. Beyond these...the military should provide for US security through deterrence, reassurance, sea lane patrols, and support to civil authorities. It also should contribute to global public goods through peacekeeping and humanitarian relief. ... By contrast, counterinsurgency and stabilization missions should be a lower priority... This plan additionally shrinks the U.S. posture for conventional combat operations, given the low likelihood of such combat in the coming decades and an assessment that the U.S. will retain adequate forces to deal with such contingencies even after the suggested reductions. Adams, *et al*, November 2010.

For further explication of the Stimson plan, see: Gordon Adams and Matthew Leatherman, "A Leaner and Meaner Defense: How to Cut the Pentagon's Budget While Improving Its Performance," *Foreign Affairs* (Jan/Feb 2011).

19. *Experts Letter on Defense Spending to the National Commission on Fiscal Responsibility and Reform*, 18 November 2010. Available on the web sites of the Project on Defense Alternatives and the Coalition for a Realistic Foreign Policy.